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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

RETAIL SALES REACH ALL-TIME HIGH

ALL indications point to a record year for retail sales in 1953. According to the Department of Commerce, the first-11-month totals were at an annual rate of $168.5 billion, or 5% ahead of 1952. It is, therefore, apparent that there is little in the bare statistics to indicate that 1954 will not be as good a year.

However, we are all aware that signs of weakness may lie behind a robust gain. For example, sales in the automotive group ran a spectacular 20% ahead of 1952 despite some last-minute troubles at the dealer level. There are few who would forecast so big a year for the automotive group in 1954. Sales in this group are certain to run substantially below the 1953 level.

Household formation will also continue on the downgrade during 1954. This will have a mildly adverse effect on furniture sales, and will join with a nearly saturated market to make more trouble in most standard-item appliance lines.

On the other hand, there are several factors that will operate to push up retail sales. One is the increase in consumer incomes that will result from the income tax reductions. The other will be the larger number of servicemen returning to civilian life as a result of the reduction in the size of our armed forces. When all of these factors are fitted into a composite picture, the resulting view is one of a mild downturn. However, it should be remembered that <u>any</u> downturn will come from a near-record high.

During the early part of 1954, sales of variety stores, apparel stores, and department stores are expected to be somewhat higher than in early 1953. On the other hand, automotive sales, furniture sales and most appliance sales are expected to be below the 1953 level. Sales of food stores will show very little change.

Since department store sales are a pretty good indicator of all retail sales, we have charted the department store sales of 80 principal cities on the following pages. The figures were compiled by the Federal Reserve Banks, and have been corrected to eliminate seasonal fluctuations. The sales trend in each city is compared with the national average.

There are several interesting facts brought to light by comparing the various

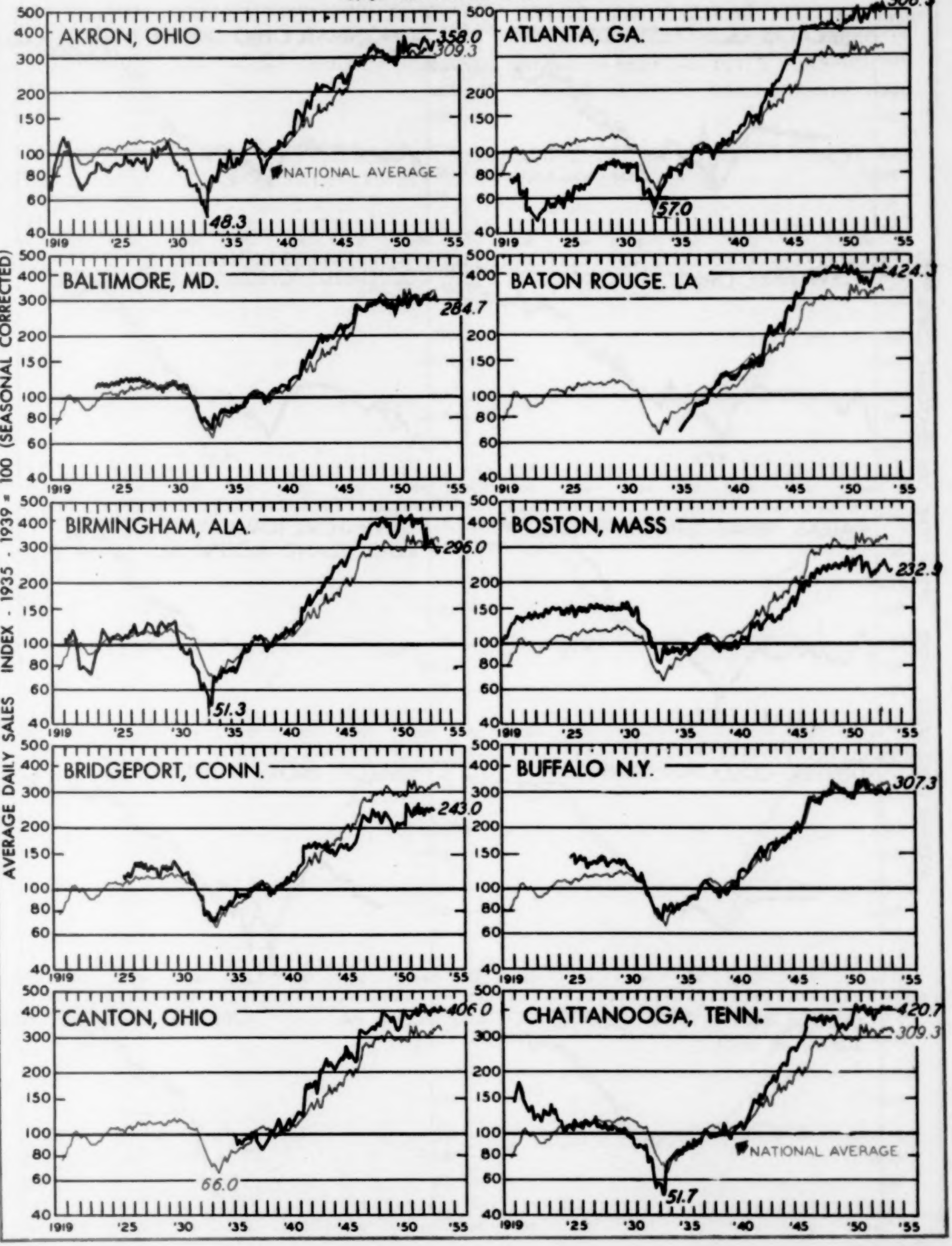
cities. To begin with, 53 of the 80 cities have run consistently above the national average for the last several years. Of these 53 above-average cities, only 15 are located in the northeastern section of the country (in this instance we mean north of the Ohio River and east of the Mississippi). Of these 15 that are located in the northeast section, 6 are in the State of Ohio.

There are 19 cities (of the 80) where department store sales have run consistently below the national average for the last several years. Of these 19, all but 4 are located in the northeast section. Springfield is the only Ohio city in this group. The 4 below-average cities not found in the Northeast are the widely scattered cities of Birmingham, Alabama; Davenport, Iowa (and Moline, East Moline, and Rock Island, Illinois); Oakland, California (including Berkeley); and Minneapolis, Minnesota (not including St. Paul, where department store sales are considerably above the national average).

Of the 34 cities in the northeast section, 44% are below average, 44% above average, and 12% are average. Of the 46 cities outside of the northeast section, 83% are above average, 9% are below average, and 8% are average.

These indexes should be of particular interest to leasing agents, real estate brokers and investors in retail property, because, other things being equal, retail properties in cities with high retail sales are usually more valuable than those located in cities where retail sales are lagging or are below average.

DEPARTMENT STORE SALES IN PRINCIPAL CITIES



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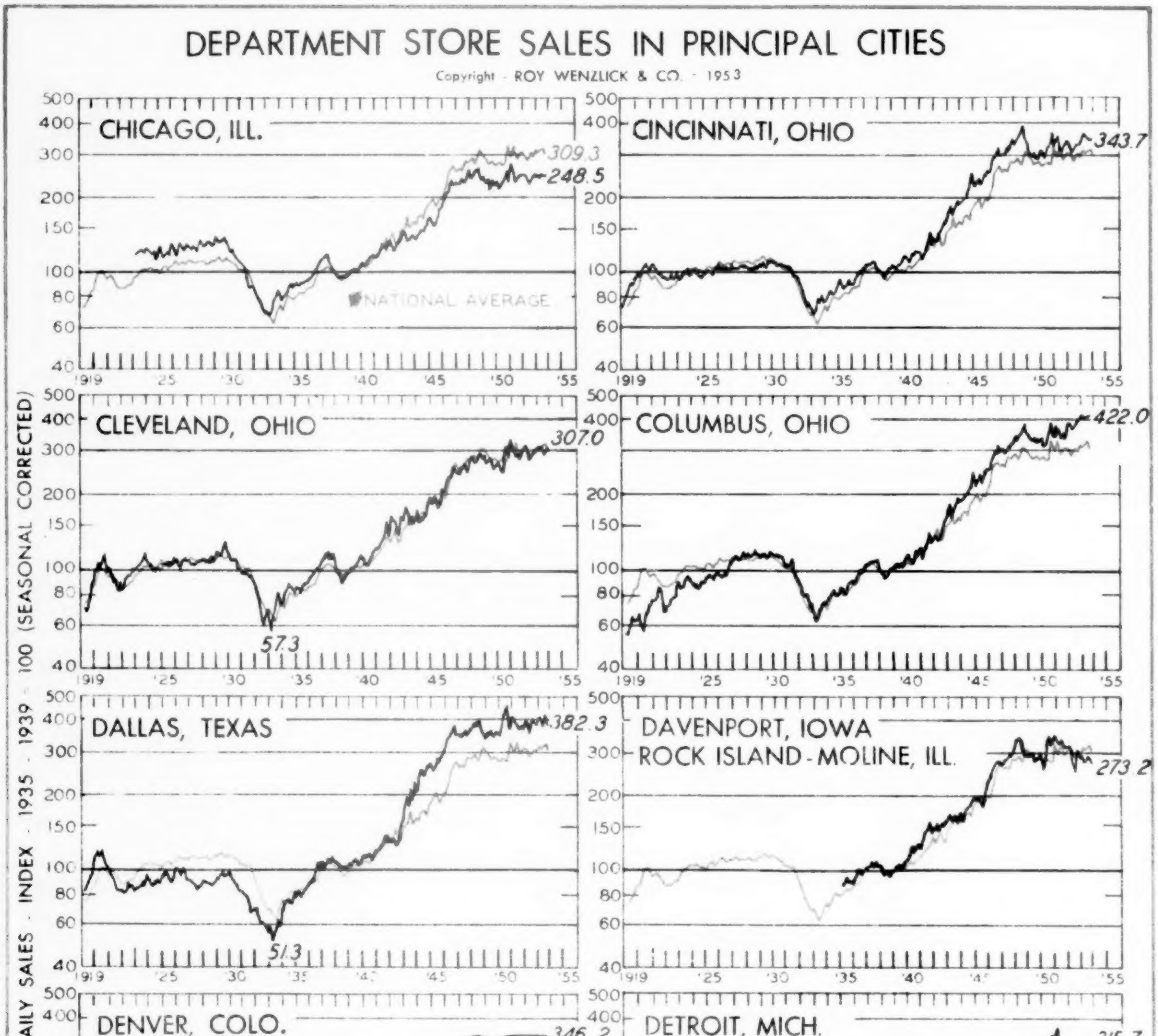

DEPARTMENT STORE SALES IN PRINCIPAL CITIES

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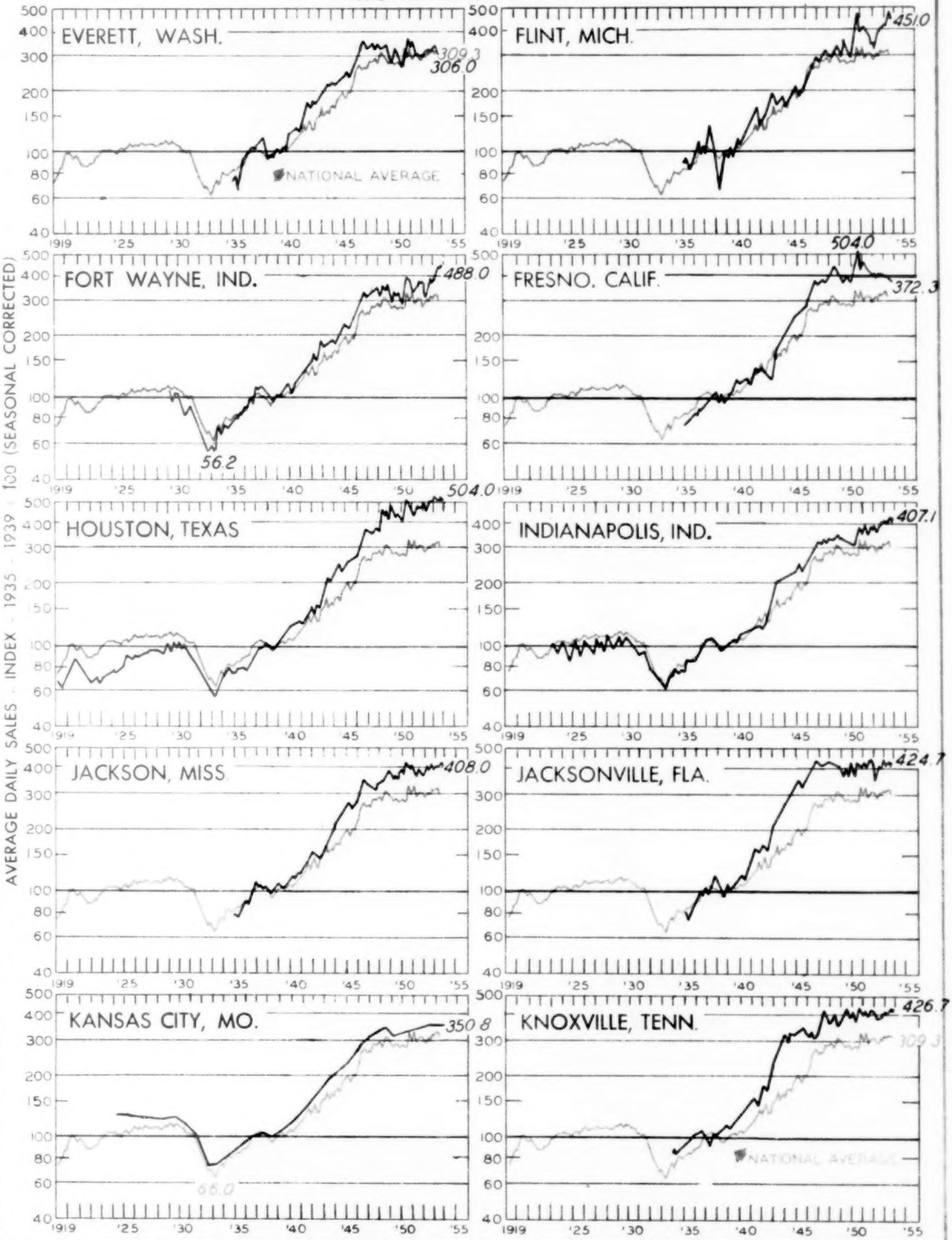

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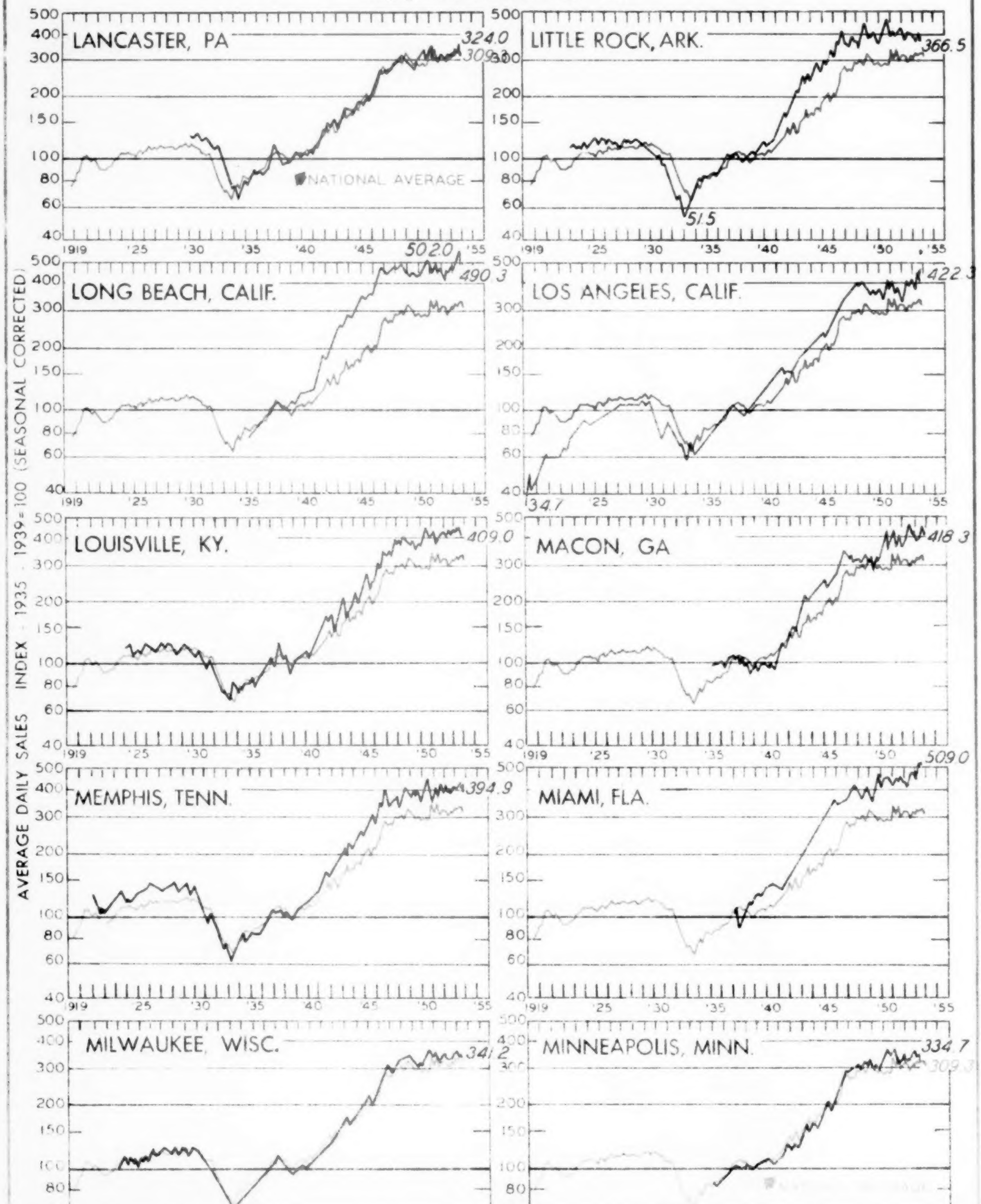

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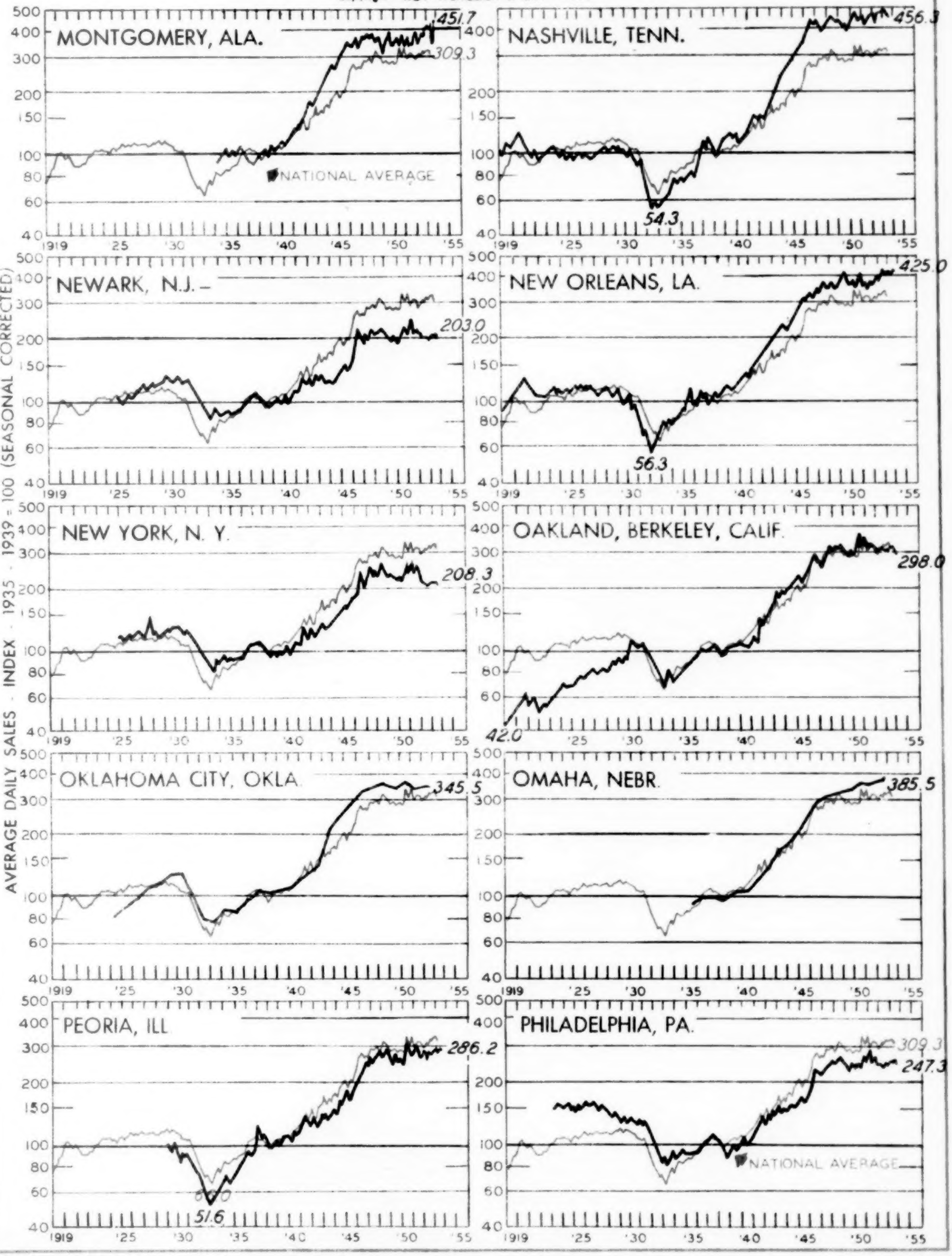

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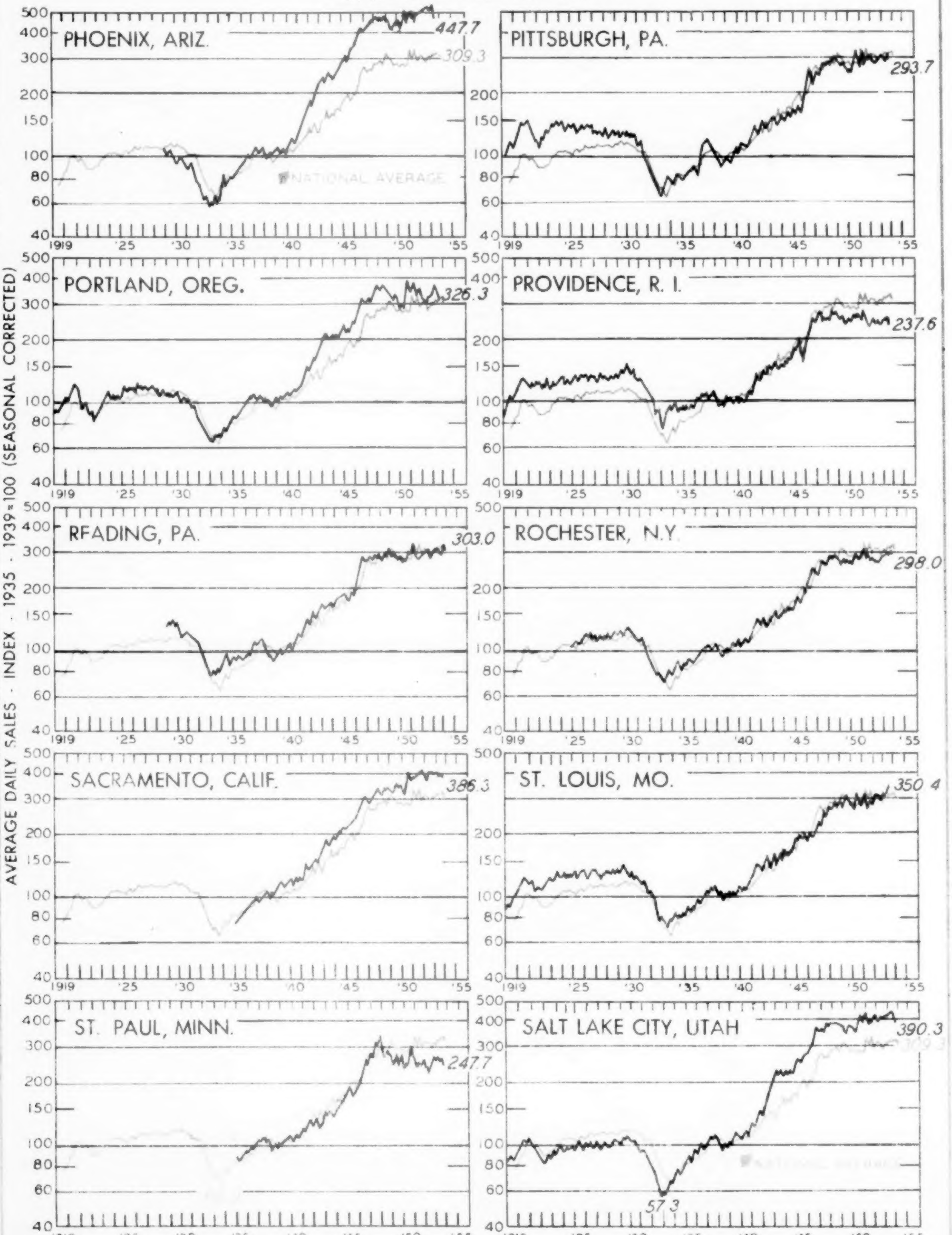

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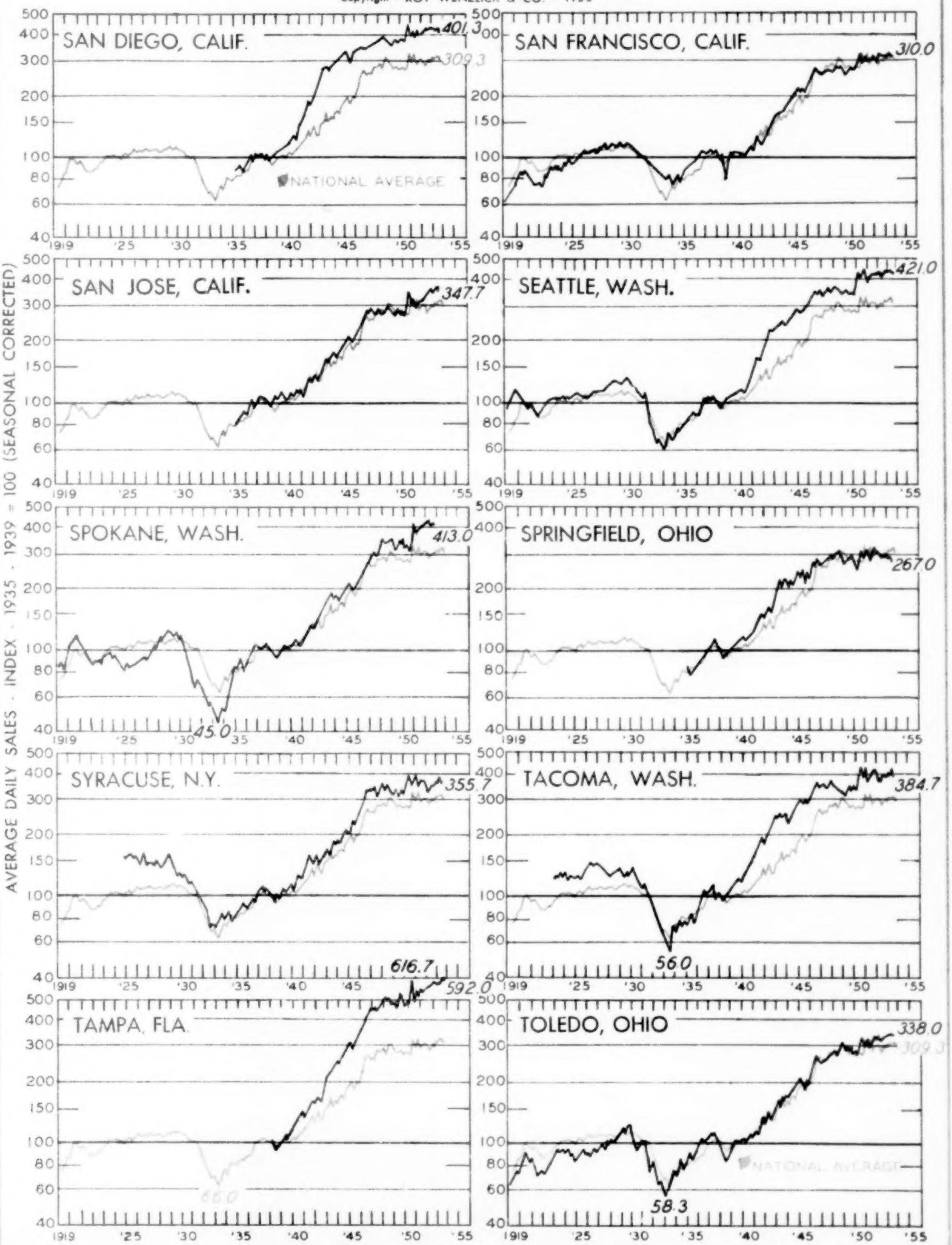

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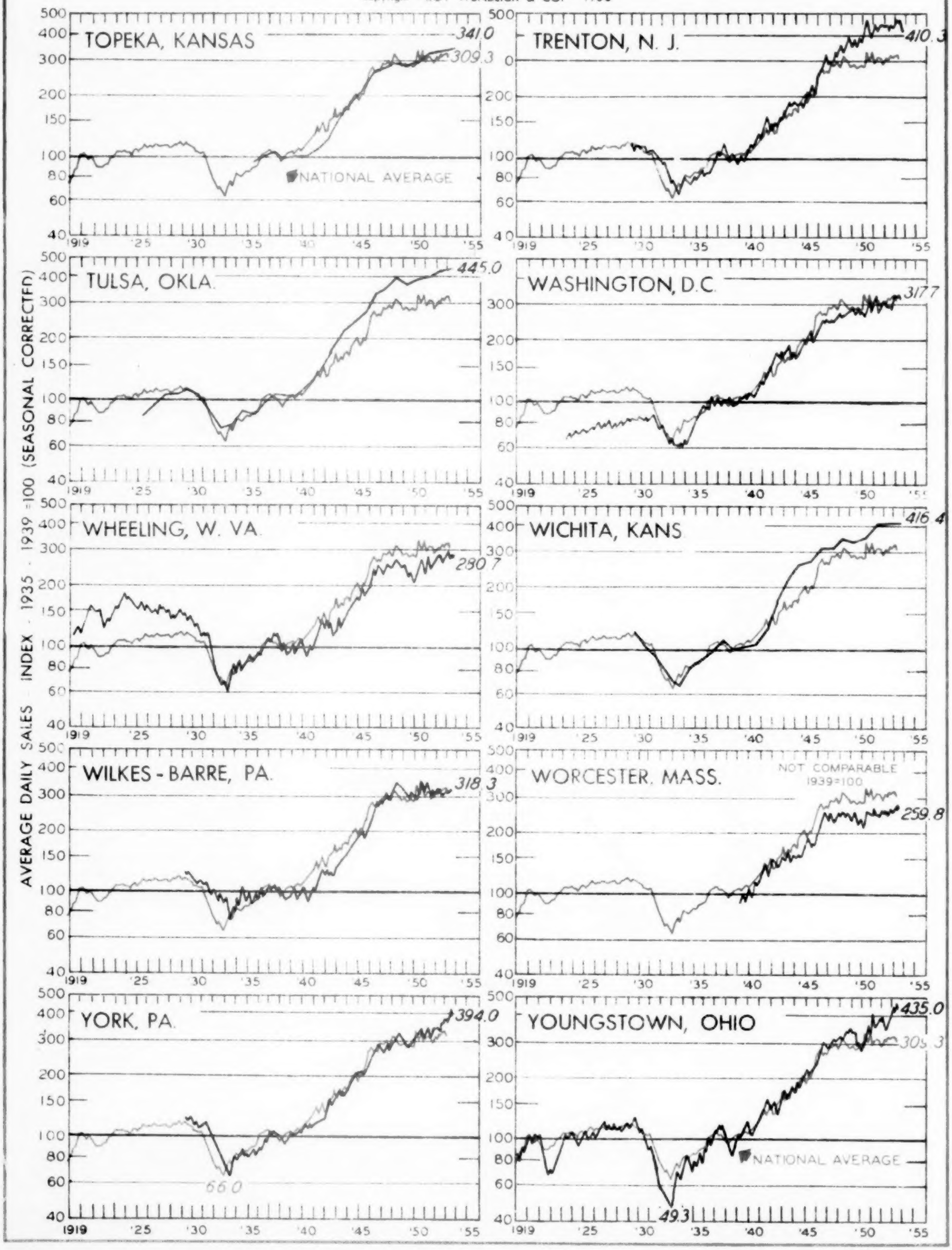


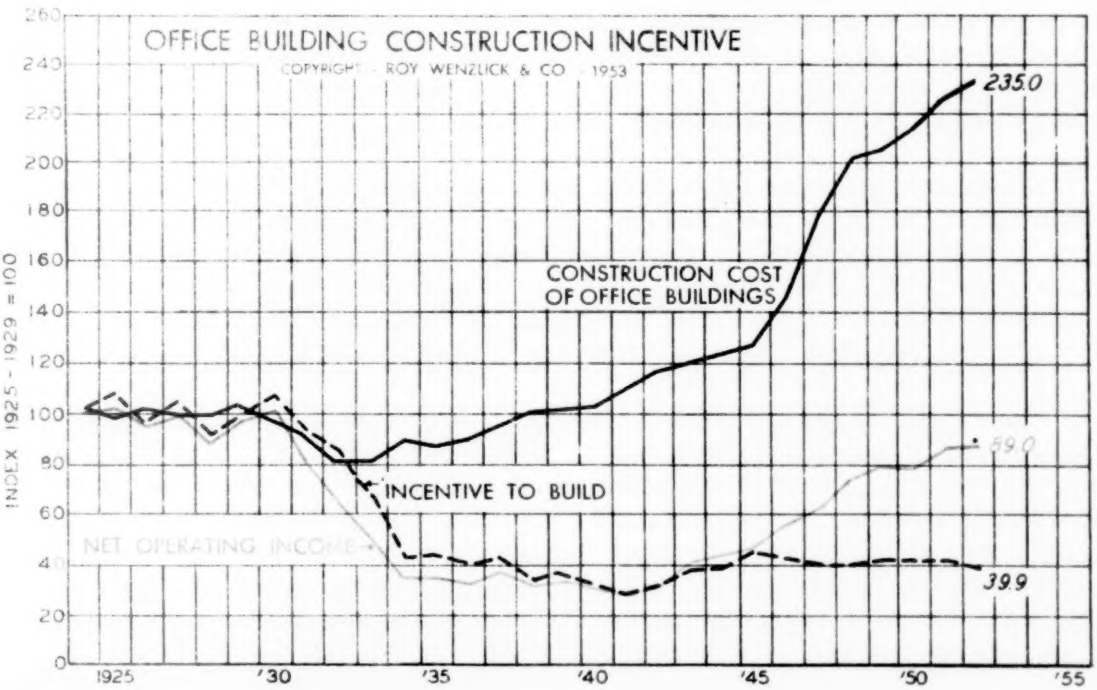
OFFICE BUILDING VACANCIES EXPECTED TO RISE

SINCE 1945 the office building industry has occupied a most favorable position. Its vacancy level has been at an all-time low, its operating income has been rising and it has suffered surprisingly little at the hands of Washington bureaucracy - much less than have the much helped and harassed home builders and mortgage lenders. Moreover, the rapidly expanding business population has filled competing buildings as fast as they have been erected.

However, there are several reasons to believe that the office building industry is in for an increase in its vacancy level, which, coupled with rising operating costs, will possibly offset increases in the rent schedule.

Admittedly, a good many of our reasons are pure conjecture. Nevertheless, it is generally felt that there will be at least a mild business downturn in 1954 which is certain to increase the number of firms going out of business. Even without the downturn, however, business in most lines is becoming more competitive, and this competition is expected to reduce the rate at which many firms have been expanding their office space.

According to the National Association of Building Owners and Managers, the most pressing demands for space have come from the growth requirements of present tenants. In their survey of more than 100 cities in late 1952, they found that in the preceding 6 months an expansion of 1,905,000 square feet had taken place. Of this, 877,700 square feet (or 46%) was the result of growth by present



tenants. In early 1953, this figure had slipped to 35%, and late this year the figure had slipped another notch to 34%. At the latest report, however, growth by present tenants was still the largest single source of expanding office space. This same report points out the comparison between present tenant expansion and present tenant contraction. In late 1952, the amount of present tenant contraction was 48% as large as present tenant expansion. In early 1953, it was only 37% as large, but in late 1953, contraction by present tenants was 53% as large as present tenant expansion.

The industry is still faced with the fact that outlying districts are continuing to grow. As they do, they offer increasing competition to downtown office space.

While the present rate of new office building construction is only about half the rate of the late twenties, it is, nevertheless, sufficient to cause trouble in the next year or two if it continues. Indications are that the present rate will continue through 1954 and possibly through 1955. Actually, most new office building construction has been concentrated in a half dozen cities, with Manhattan, Pittsburgh, Dallas, and Houston experiencing the largest amount. The boom is continuing in most of these cities, with almost 3,000,000 square feet of space scheduled for completion in 1953 and 1954 in Manhattan alone. In addition, the boom has spread to Atlanta, Albany, Chicago, Denver, and Louisville. In all of these cities, substantial additions are being made to the supply of office space, and in several of them this represents the first new office building construction in more than 20 years.

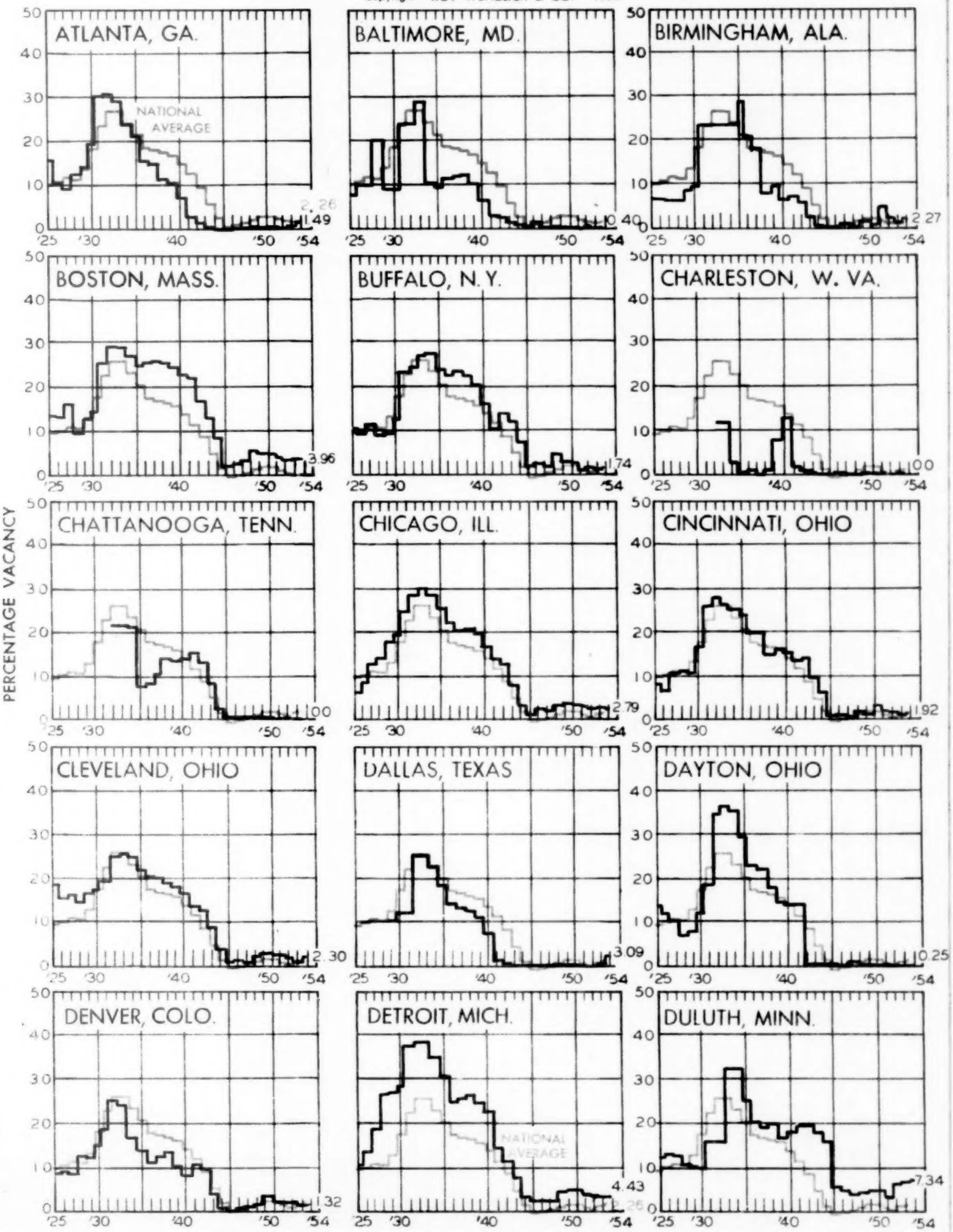
In the last year the amount of space occupied by the Federal Government in private office buildings has shrunk from 5.4% to 4.7%. While this is certainly not a significant shrinkage insofar as area is concerned, it does reflect the avowed intention of the present administration to reduce Government expenses, and can probably be expected to continue. If it does, it will exert an upward pressure (although small) on the office building vacancy rate.

The charts on pages 541 through 544 show the office building vacancy rates from 1925 to 1953, in the principal cities of the United States and Canada. A look at these charts will show that, nationally, office building vacancy is still quite low - only 2.26% against 1.97% a year ago. However, these charts also show six cities where vacancies have begun to move up rather sharply. These six are: Duluth, Erie, Memphis, Pittsburgh, Seattle, and Wilmington (Delaware).

The charts are based on figures compiled by the National Association of Building Owners and Managers. In view of the high vacancy rates in Erie and Wilmington, we must point out that they are based on reports from fewer than three buildings. If a larger number of buildings in these two cities had participated in the National Association of Building Owners and Managers' survey, the chances are that the vacancy figures would not be so high. The figures in the other high-vacancy cities are based on reports from the following number of buildings: Duluth, 15; Memphis, 16; Pittsburgh, 41; and Seattle, 50.

OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

CHARTED BY ROY WENZLICK & CO., FROM DATA FURNISHED BY
THE NATIONAL ASSOCIATION OF BUILDING OWNERS AND MANAGERS



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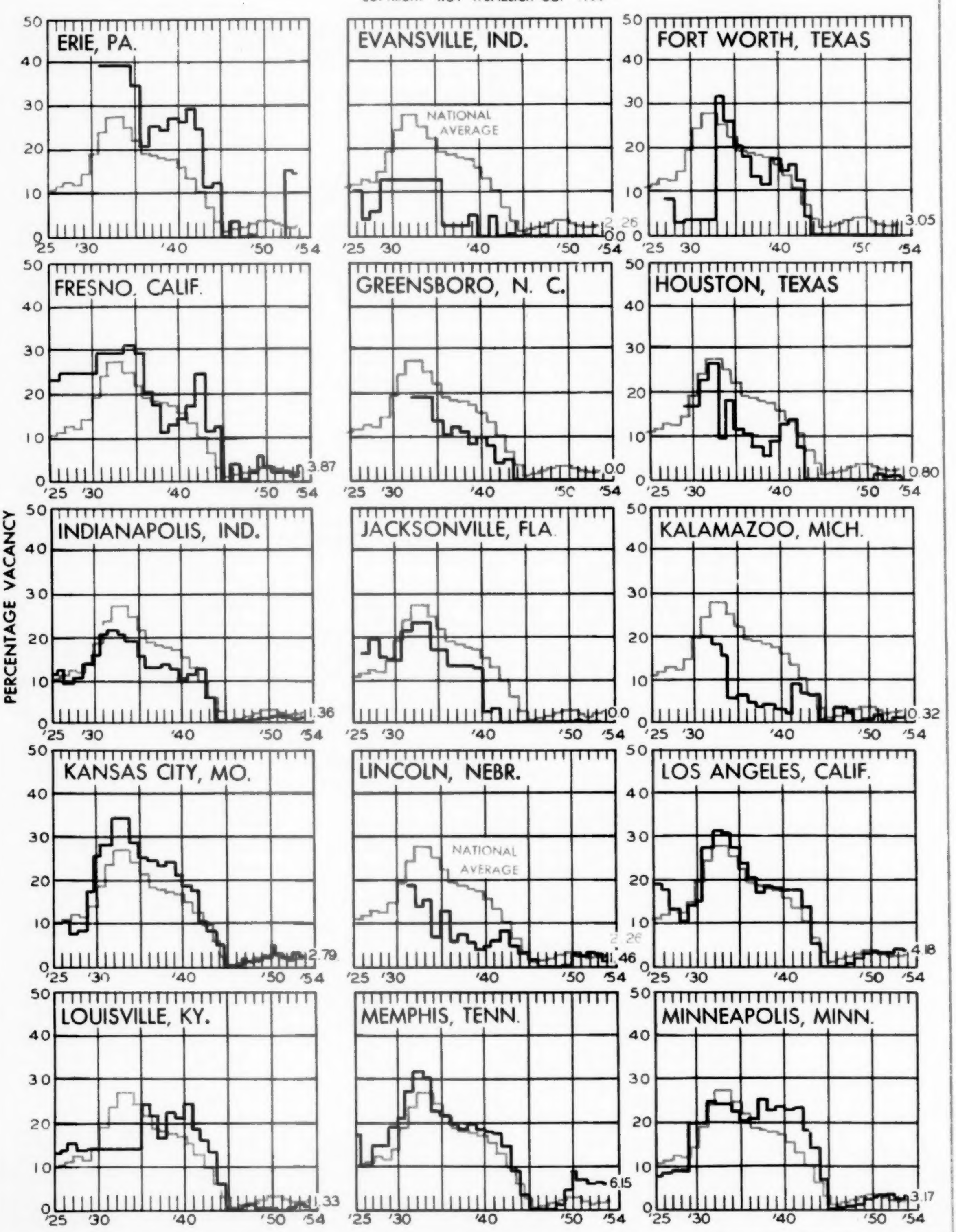

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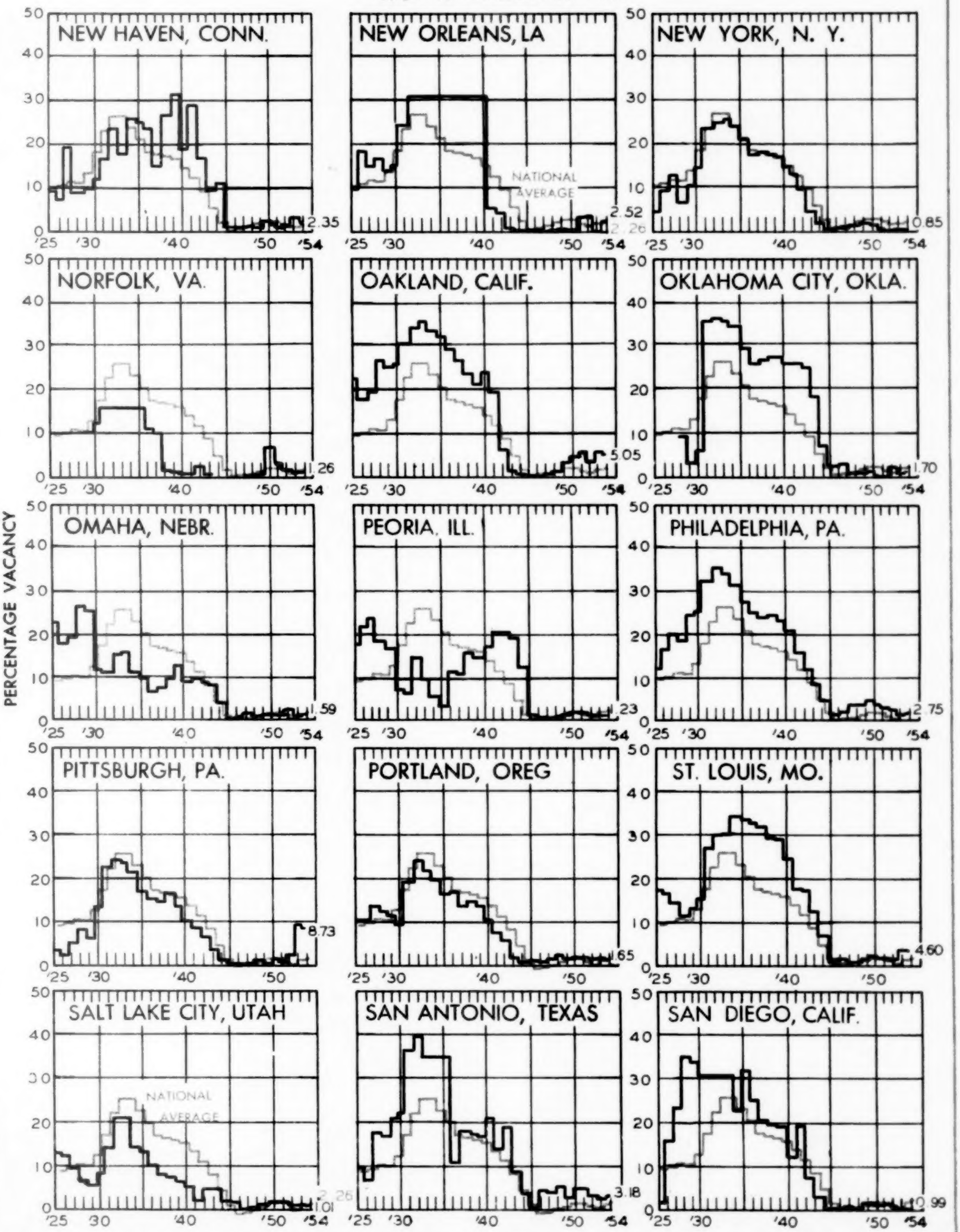

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